



Earned Value Management from a Behavioral Perspective

ARMY

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Outline

- **Earned Value from a behavioral perspective**
 - **Risk Management Challenge**
 - **Motivation & Constraints**
 - **Improving Earned Value**



EVM in a TQM Context

- **Hank's view of the problem with EVM**
 - **Plan** - Establish the Performance Measurement Baseline
 - **Do** - Perform the work
 - **Check** - Measure performance (CPI / SPI)
 - **Act** - React to performance
- **Planning**
 - Identification of risk
 - Assessing risk
 - Insertion of risk mitigation
 - Resourcing
 - Scheduling
- **Reacting to performance**
 - Resources largely committed
 - Schedules are tight
 - Problems often not understood
 - Punitive impact of response
 - Budget cuts
 - Rebaseline

Planning & Reacting to performance are hard



Risk Management Challenge

- Process **encourages risk** taking but **punishes failure**
 - no mechanism to account for risk without punishment
- The combination of increased risk and pressure to minimize resources is a significant problem
- Resource adequacy confounded by:
 - New ways of doing business
 - Understated technical risk
 - Market forces
 - Requirements & funding instability
 - Task misunderstanding
- Resource adequacy is a judgement call
- Tools/skills to facilitate planning
 - DSMC training has improved ... but
 - Lack of discipline in risk mitigation/identification / management
 - Criteria for “good” plan are unclear
- Walls are created before PMB is established
 - Cost / schedule / performance established months before PMB
 - Development of realistic PMB exposes inadequacy too late



Motivators

- **Government**

Program definition priorities

- #1 - Performance**
- #2 - Cost (funding profile)**
- #3 - Schedule (dependent variable)**

Program execution priorities

- #1 - Maintain schedule**
- #2 - Fight for dollars**
- #3 - Performance (dependent variable)**

- **Industry**

Interests

- **Reputation (past performance)**
- **Customer satisfaction**
- **Profit**
- **Future market**
- **Technical capability**
- **Resource utilization**



Behavior Outcome

- **Government**

Readiness dilemma

- Driven to keep program alive
- Wanting to believe contractor can “pull it off”

- **Industry**

Buy-in dilemma

- Hoping to solve the problem before failure declared
- Likelihood of “bail-out”

Outcome

No one can let go until it's too late!



Keys to Improved Value

- **Increase the PMB's ability to absorb change**
 - Resource bounds determined before risks are understood
 - Risk assessment is a skill not easily taught; not often supported by tools

- **Potential improvements**
 - Develop PMB prior to contract definitization or as input to source selection
 - Adopt modular contracting approach to enable planned break points to assess risk
 - Increased training and guidelines in IBR goals & conduct
 - Provide better risk and scheduling mitigation tools